

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AGR-20 STR-08 TRSE-00 COME-00

CIAE-00 INR-10 NSAE-00 RSC-01 SS-20 SP-03 L-03 NSC-07

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 3035

INFO AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

AMEMBASSY THE HAGUE

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DEPARTMENT PASS AGRICULTURE FOR PHIL MACKIE

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: WORLD BEEF SITUATION

REF: STATE 110296

1. BEGIN SUMMARY: DISCUSSIONS WERE HELD WITH SENIOR
MINAG OFFICIALS PER INSTRUCTIONS REFTEL. WE STRESSED
USG DESIRE TO AVOID UNILATERAL MEASURES BY IMPORTING
COUNTRIES, WHICH WOULD ONLY AGGRAVATE WORLD MEAT TRADE
PROBLEMS. MINAG OFFICIALS ACKNOWLEDGED THAT ANTICIPATED
ACTIONS BY THE COMMUNITY WOULD WORSEN THE WORLD BEEF
SITUATION, BUT THEY DID NOT MAKE ANY SUGGESTIONS THAT
WOULD MAKE A POSITIVE CONTRIBUTION TO THE RESOLUTION OF
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THIS TROUBLE-LADEN ISSUE. THEY CITED THE DOMESTIC PROB-

LEM OF MANAGING THE BURDENSOME MEAT SURPLUSES AS BEING OF OVERRIDING CONSIDERATION FOR THEM AT THE PRESENT TIME. END SUMMARY.

2. AGATTACHE AND GOODMAN DISCUSSED REFTEL WITH PIRKMAYR, MINISTRY OF AGRICULTURE. PIRKMAYR REVIEWED THE GERMAN DOMESTIC BEEF SITUATION INCLUDING THE OPTIMISM WHICH RESULTED IN AN INCREASE OF COMMUNITY BEEF SUPPORT PRICES OF WELL OVER 30 PERCENT DURING THE PAST THREE YEARS.

3. HE ACKNOWLEDGED THAT THE INCREASE IN BEEF PRICES WAS BASED ON THE ASSUMPTION THAT INCOMES IN GERMANY WOULD BE INCREASING AT A RATE OF 5-7 PERCENT ANNUALLY, AND THAT CONSUMPTION WAS EXPECTED TO FOLLOW THE GENERAL INCREASE IN REAL INCOME. THE SITUATION HAS CHANGED FROM THE ORIGINAL ASSUMPTIONS WITH REAL GROWTH RATES NOW PROJECTED AT ABOUT 1.5-2 PERCENT PER ANNUM DUE IN LARGE PART TO THE OIL CRISIS. FURTHER, THE HIGH BEEF PRICES OF LAST YEAR MET WITH STRONG CONSUMER RESISTANCE AND BEEF CONSUMPTION DECLINED.

4. THE RESULT OF ENCOURAGING BEEF PRODUCTION AND DECLINING DEMAND HAS BEEN A SIGNIFICANT BUILD-UP OF BEEF STOCKS, WHICH ARE NOW OVER 54,000 M.T. FURTHER, THESE STOCKS ARE CONTINUING TO GROW.

5. THE PROBLEM OF BURDENSOME BEEF SUPPLIES IS EXPECTED TO BECOME EVEN MORE CRITICAL IN THE EVENT THAT EXPORTS OF LIVE CATTLE TO ITALY ARE SERIOUSLY IMPAIRED BY THE ITALIAN DEPOSIT SCHEME. GERMANY HAS BEEN EXPORTING AROUND 600,000 HEAD OF CATTLE TO ITALY ON AN ANNUAL BASIS.

6. WE EMPHASIZED THAT THE POLICY OF THE EC RESTRICTING IMPORTS OF BEEF AND ENCOURAGING SUBSIDIZED EXPORTS WILL CAUSE RAPID DETERIORATION IN THE INTERNATIONAL BEEF MARKET. AS AN ALTERNATIVE WE URGED THE COMMUNITY TO TAKE ACTIONS TO EXPAND BEEF CONSUMPTION.

7. PIRKMAYR INDICATED THAT SOME BEEF IS BEING MADE LIMITED OFFICIAL USE

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AVAILABLE TO INSTITUTIONS, HOSPITALS, ETC., AND THAT SOME OF THE BEEF WILL BE CANNED AND STORED. HOWEVER, HE INDICATED THAT THESE ACTIONS WILL HAVE ONLY A MARGINAL IMPACT ON DISPOSAL OF AVAILABLE SURPLUSES. HE FURTHER STATED THAT NO ACTION WILL BE TAKEN TO SUBSIDIZE GENERAL CONSUMPTION OF BEEF IN GERMANY, DUE TO THE HIGH COST OF THE PROGRAM, AND SEVERE RESTRICTIONS ON THE AGRICULTURAL BUDGET BY THE MINISTRY OF FINANCE. IN REGARD TO

ACTIONS LOWERING BEEF PRICES, PIRKMAYR EMPHASIZED THE
STRONG CURRENT PROTEST FROM GERMAN FARMERS REGARDING THE
RECENT RUNDOWN IN GERMAN BEEF PRICES AND THE POLITICAL
PROBLEMS WHICH MINISTER ERTL HAS BEEN CONFRONTED WITH
DUE TO THESE LOW PRICES.
HILLENBRAND

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